

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 INT-05 COME-00 FEA-01 EB-07 AID-05

CEA-01 CIAE-00 EA-09 FRB-01 INR-07 IO-10 NEA-10

NSAE-00 OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01

OMB-01 /085 W

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R 241502 DEC 75

FM USMISSION OECD PARIS

TO SECSTATE WASHDC 9916

UNCLAS OECD PARIS 33635

E.O. 11652 N/A

TAGS: EIND, OECD

SUBJECT: IRON AND STEEL WP - DEC 15-16

REF: DSTI/IND/IS/75.13

1. ENERGY REPORT (DSTI/IND/IS/75.5): SINCE NONE OF THE DELEGATIONS RECEIVED THE DOCUMENT SUFFICIENTLY IN ADVANCE OF MEETING, THEY WERE WITHOUT INSTRUCTIONS AND REFRAINED FROM SUBSTANTIVE DEBATE. (US REP DANIEL GILL, DOC, RECEIVED DOCUMENT THE DAY BEFORE MEETING). CONSULTANT PICO, AUTHOR OF DOCUMENT, GAVE OVERVIEW AND CONCLUDED: A) ENERGY REPRESENTS 4-5 PERCENT OF VALUE ADDED IN IRON/STEEL INDUSTRY; B) INDUSTRY IS LOW OIL CONSUMER, THUS FEW ECONOMIES CAN BE EFFECTED; C) EFFECTS OF OIL CRISIS ON INDUSTRY WILL BE INDIRECT AND NOT SERIOUS. (ACTION REQUESTED: WRITTEN COMMENTS ON ENERGY PAPER BY JAN. 8 1976).

2. SCRAP (DSTI/IND/IS/75.6): US DEL MADE NUMBER OF EDITORIAL RECOMMENDATIONS AND PROVIDED MORE COMPLETE/CORRECT DATA. RE PARA 118-120 DEALING WITH 1973-74 US FERROUS SCRAP EXPORT POLICY, US DEL MADE FOLLOWING COMMENT: "US EXPORT CONTROLS, WHICH WERE LEGISLATED BY CONGRESS, RECOGNIZED THE NEEDS OF OTHER COUNTRIES FOR US SCRAP SUPPLIES; AND THE ALLOWABLE EXPORTS WERE SUBSTANTIAL UNDER THE CIRCUMSTANCES". SEVERAL DELEGATES UNCLASSIFIED

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ASKED THAT DOCUMENT PROVIDE SCRAP SUPPLY/DEMAND FORECAST DATA THROUGH 1980. AUSTRALIAN DELEGATE SUGGESTED THAT DOCUMENT ALSO INCLUDE FORECASTS OF STEEL PRODUCTION CAPACITY, RELATED COSTS AND LIKELY SOURCES OF INVESTMENT. IN CONCLUDING THIS DISCUSSION, CHAIR MADE FOLLOWING COMMENTS: A) DELEGATIONS SHOULD SEND COMMENTS TO SECRETARIAT BY JAN. 8; B) PAPER SHOULD BE FINALIZED AT FEB. 12-13 MEETING; C) NO PRECISE STATISTICS ON DORMANT OR "CAPITAL" SCRAP EXIST; D) PAPER SHOULD COMMENT ON ENVIRONMENTAL CONSIDERATIONS AS WELL AS RELATIVE QUALITY OF AVAILABLE SCRAP; E) CONCLUSIONS SHOULD SUGGEST ALTERNATIVE POLICY MEASURES.

3. IRON ORE (DSTI/IND/IS/75.12): EC SPOKESMAN SAID FUTURE DELIVERIES OF IRON ORE ARE UNCERTAIN, ESPECIALLY SO IF MAJOR PROJECTS WERE CANCELLED. HE ALSO STATED THAT INFLATION AND HIGH COST OF INVESTMENT CAPITAL WERE TWO MAJOR PROBLEMS CONFRONTING THE INDUSTRY. AUSTRALIAN DEL NOTED IRON/STEEL INDUSTRY PROBLEMS ARE STRUCTURAL RATHER THAN CYCLICAL, AND THAT THESE PROBLEMS WERE EXACERBATED BY ENERGY CRISIS. HE SUGGESTED THAT HIGHER ORE PRICES WOULD ENCOURAGE INVESTMENT. RESPONDING TO UK DEL'S REQUEST THAT DOCUMENT DISCUSS SECURITY OF ACCESS AND MINING COSTS, AUSTRALIAN DEL ASKED RHETORICALLY: "WOULD STEEL PRODUCERS GUARANTEE ACCESS TO IRON-ONE SUPPLIERS?" HE CONCLUDED THAT AUSTRALIA FAVORS PRICE STABILIZATION AGREEMENTS THAT ARE MUTUALLY BENEFICIAL. UK DEL QUESTIONED DEGREE OF INVESTMENT PROTECTION CONSORTIUM ARRANGEMENTS PROVIDE (PARA 26). UNFORTUNATELY, NO DISCUSSION FOLLOWED THIS RATHER INTERESTING QUERY. FRENCH DEL CHALLENGED DOCUMENT'S STRESS ON DEGREE OF INDUSTRIALIZED COUNTRIES' DEPENDENCE ON LDC'S ORE AND POSSIBLE SHIFTS OF STEEL-MAKING CAPACITY TO LDC'S SINCE INDUSTRIALIZED COUNTRIES ARE SIGNIFICANT PRODUCERS OF IRON ORE AND COKING COAL, THE MAJOR ENERGY SOURCE. US WAS ONLY DELEGATION TO PRESENT DRAFT CONCLUSIONS WHICH WP DISCUSSED, MODIFIED AND AGREED TO THEIR INCORPORATION IN REPORT. CHAIR INVITED OTHER DELEGATIONS TO SUBMIT WRITTEN COMMENTS PROMPTLY FOR CIRCULATION PRIOR TO FEBRUARY MEETING.

4. ACTION REQUESTED: (A) WRITTEN COMMENTS ON ENERGY AND IRON ORE PAPERS BY JAN. 8, 1975; (B) INSTRUCTIONS CONCERNING DEFINITIVE US POSITION RE FUTURE OF IRON AND STEEL WP.

5. MEETING DATES: WP NEXT MEETS FEB. 12 AND 13 TO REVIEW UNCLASSIFIED

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FINAL DRAFT  
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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* UNCLASSIFIED

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DOCUMENTS, EXPORT CONTROLS, FERROALLOYS, INSTRUCTIONS, MEETING      REPORTS, POLICIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 DEC 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Enclosure:** n/a  
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**Film Number:** D750447-0955  
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**Line Count:** 114  
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**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 JUL 2003 by ReddocGW>; APPROVED <14 JAN 2004 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> srp 971016  
**Subject:** IRON AND STEEL WP - DEC 15-16  
**TAGS:** EIND, OECD  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006